

ANNUAL BUDGET OF  
**NONGOMA MUNICIPALITY**  
2018/19 TO 2020/21  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS

*Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term*

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### ***Abbreviations and Acronyms***

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>KPI</i>	<i>Key Performance Indicator</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CM</i>	<i>City Manager</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DORA</i>	<i>Division of Revenue Act</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>FBS</i>	<i>Free basic services</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>HR</i>	<i>Human Resources</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IT</i>	<i>Information Technology</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>KM</i>	<i>Kilometre</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KPA</i>	<i>Key Performance Area</i>		

## Part 1 – Annual Budget

### 1.1 Mayor's Budget Speech

*Honorable Speaker – Cllr BW Zulu*

*Honorable Deputy Mayor – Cllr AN Xulu*

*Honorable Members of the Executive Committee*

*Honorable Councillors*

*Municipal Manager – Mr. VT Sokhela*

*Heads of Department*

*Ladies and Gentlemen*

I am honored to present to you the Final budget for 2018/19 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2018/19 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate – you the voter, you the

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community member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

We have started a revenue enhancement project, the vehicle testing centre which will be finalized in the new financial year. This project aims at increasing our revenue base, which will result in the upward revision of the grade of this municipality.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2018/19 MTREF Budget:

Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>								
Total Revenue (excluding capital transfers and contributions)		162 963	161 764	161 764	161 764	173 694	186 872	200 410
Total Expenditure		157 252	156 433	156 433	156 433	164 775	175 732	187 415
Surplus/(Deficit)		5 711	5 330	5 330	5 330	8 920	11 140	12 995
ADD: capital Expenditure		58 378	58 378	58 378	58 378	46 286	43 873	45 494
Surplus/(Deficit) for the year		64 089	63 708	63 708	63 708	55 206	55 013	58 489

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

**Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term**

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**a) Detailed operating revenue**

Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>								
Property rates	2	21 858	21 858	21 858	21 858	22 995	24 191	25 449
Service charges - refuse revenue	2	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Rental of facilities and equipment		234	234	234	234	246	261	276
Interest earned - external investments		1 831	1 831	1 831	1 831	1 940	2 057	2 180
Interest earned - outstanding debtors		2 979	1 200	1 200	1 200	1 100	1 166	1 236
Fines, penalties and forfeits		274	306	306	306	324	344	364
Licences and permits		838	838	838	838	888	941	998
Transfers and subsidies		131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other revenue	2	1 198	1 746	1 746	1 746	1 273	1 346	1 427
<b>Total Municipal Revenue</b>		<b>162 963</b>	<b>161 764</b>	<b>161 764</b>	<b>161 764</b>	<b>173 694</b>	<b>186 872</b>	<b>200 410</b>

**b) Detailed operating expenditure**

Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>								
Employee related costs	2	71 907	77 698	77 698	77 698	83 215	89 131	95 459
Remuneration of councillors		13 852	13 852	13 852	13 852	14 822	15 859	16 969
Debt impairment	3	1 000	1 000	1 000	1 000	1 736	1 840	1 951
Depreciation & asset impairment	2	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges		52	52	52	52	200	212	225
Other materials	8	5 145	6 645	6 645	6 645	4 540	4 813	5 102
Contracted services		27 774	16 080	16 080	16 080	24 051	25 494	27 024
Transfers and subsidies		150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	4, 5	33 348	35 584	35 584	35 584	29 745	31 530	33 421
<b>Total Expenditure</b>		<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>

The municipality strengthened the human capital during the previous budgets through filling in critical positions.

The employee related cost increased from R77.6 million to R83.2 million and councillors allowances increased from R13.8 million to R14.3 million.

**Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term**

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Mr Speaker, the R29.7 million for other expenditure is broken down as follows:

Description	Ref	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand								
<b><u>Other Expenditure By Type</u></b>								
Collection costs		–	500	500	500	500	530	562
Audit fees		–	1 200	1 200	1 200	1 600	1 696	1 798
General expenses	3	–	–	–	–	–	–	–
Advertising, Publicity and Marketing		1 834	1 200	1 200	1 200	270	286	303
Rentals Car Hire		120	120	120	120	1 200	1 272	1 348
Telephone (Cellphone)		500	500	500	500	2 200	2 332	2 472
Communication		2 350	1 900	1 900	1 900	1 150	1 219	1 292
External Computer Service		2 750	3 370	3 370	3 370	290	307	326
Hire Charges [Expenditure		1 967	1 967	1 967	1 967	2 025	2 147	2 275
Indigent Relief [Expenditure		1 868	1 868	1 868	1 868	1 550	1 643	1 742
Bursaries		600	650	650	650	500	530	562
Printing, Publications and Books		915	915	915	915	500	530	562
Professional Bodies, Membership and Subscription		1 840	1 840	1 840	1 840	100	106	112
Registration Fees		480	480	480	480	–	–	–
Remuneration to Ward Committees		1 600	1 600	1 600	1 600	1 512	1 603	1 699
Toll Gate Fees		128	128	128	128	–	–	–
Travel and Subsistence		9 367	9 367	9 367	9 367	3 590	3 805	4 034
Uniform and Protective Clothing		1 020	1 020	1 020	1 020	308	326	346
Wet Fuel		900	900	900	900	1 200	1 272	1 348
Municipal Services		1 679	1 679	1 679	1 679	–	–	–
Insurance		1 000	1 000	1 000	1 000	1 200	1 272	1 348
Rewards Incentives		50	50	50	50	40	42	45
Vehicle Tracking		80	80	80	80	100	106	112
Office Equipment Rentals Operating lease		2 300	2 250	2 250	2 250	2 385	2 528	2 680
Other Expenditure		–	1 000	1 000	1 000	7 525	7 976	8 455
<b>Total 'Other' Expenditure</b>	1	<b>33 348</b>	<b>35 584</b>	<b>35 584</b>	<b>35 584</b>	<b>29 745</b>	<b>31 530</b>	<b>33 421</b>

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**c) Capital Expenditure**

Description R thousand	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>						
<b>Infrastructure</b>	58 378	58 378	58 378	54 786	43 873	45 494
Roads Infrastructure	43 378	43 378	43 378	39 786	31 873	33 494
Roads	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares	15 000	15 000	15 000	15 000	12 000	12 000
<b>Community Assets</b>	<b>4 487</b>	-	-	-	-	-
Community Facilities	4 487	-	-	-	-	-
Halls	3 487					
Testing Stations	1 000					
<b>Intangible Assets</b>	-	2 094	2 094	-	-	7 000
Licences and Rights	-	2 094	2 094	-	-	7 000
Unspecified	-	2 094	2 094			7 000
<b>Computer Equipment</b>	-	162	162	290	307	326
Computer Equipment	-	162	162	290	307	326
<b>Furniture and Office Equipment</b>	989	125	125	130	138	146
Furniture and Office Equipment	989	125	125	130	138	146
<b>Machinery and Equipment</b>	235	-	-	-	-	-
Machinery and Equipment	235					
<b>Transport Assets</b>	-	2 950	2 950	-	-	-
Transport Assets	-	2 950	2 950			
<b>Total Capital Expenditure on new assets</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>

Capital projects to be undertaken over the medium-term includes, amongst others:

- *Electrification projects to the value of R15 million*
- *Construction of rural roads and community halls- R21.7*
- *Construction of Crashes-R2.0*
- *Construction of Sports Facilities-R7.5*
- *Computers equipment – (R290 000)*
- *Furniture –(130 000)*
- *One Gravel road, one sport field and one Couse way which cost R8.5 million to be funded by equitable share as per national treasury recommendation.*

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The municipality will be implementing the expanded public works programme for an amount of R1.6 million as per the National Treasury allocation.

### **Tariffs**

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 6%. Municipalities are required to justify all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs has been increased by 5.2% while tariffs for other service charges have been increased by the same 5.2% for the 2018/19 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2018/19 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mrs VT Sokhela, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

**Hon Councillor M.A Mncwango**

**Mayor of Nongoma Municipality.**

**1.2 Council Resolutions**

On 31 May 2018 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the final budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 14;
    - 1.2.2. Budgeted Cash Flows as contained in Table 15;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;
    - 1.2.4. Asset management as contained in Table 17; and

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- 1.2.5. Basic service delivery measurement as contained in Table 18.
2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
  - 2.1. the tariffs for property rates .
3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 78 and 79 that were used to guide the compilation of the 2018/19 MTREF tabled.

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The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

**Table 1 Overview of the 2018/19 MTREF**

Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>								
Total Revenue (excluding capital transfers and contributions)		162 963	161 764	161 764	161 764	173 694	186 872	200 410
Total Expenditure		157 252	156 433	156 433	156 433	164 775	175 732	187 415
Surplus/(Deficit)		5 711	5 330	5 330	5 330	8 920	11 140	12 995

Total operating revenue has increased to R173.6 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 7.3% and increased by 6.7% in 2019/20, equating to a total revenue growth of 7.3%. Total operating expenditure for the 2018/19 financial year has been appropriated at R164.7 million and translates into a budgeted surplus of R8.9 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 5.3% in the 2018/19 budget and by 6.6% in 2019/20 and 6.6% in 2020/21. The surpluses of R8.9 million, R11.1 million and R12.9 million in 2018/19, 2019/20 and 2020/21 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R55.2 million for 2018/19 is 15 per cent less when compared to the 2017/18 Adjustment Budget. The capital programme decreases to R44.3 million in the 2019/20 financial year and increases to R52.9 million in 2020/21. A substantial portion of the capital budget will be funded from conditional grants over the MTREF.

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### **1.4 Operating Revenue and Expenditure Framework**

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an annual collection rate of not less than 70% for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

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Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Revenue By Source</u></b>								
Property rates	2	21 858	21 858	21 858	21 858	22 995	24 191	25 449
Service charges - refuse revenue	2	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Rental of facilities and equipment		234	234	234	234	246	261	276
Interest earned - external investments		1 831	1 831	1 831	1 831	1 940	2 057	2 180
Interest earned - outstanding debtors		2 979	1 200	1 200	1 200	1 100	1 166	1 236
Fines, penalties and forfeits		274	306	306	306	324	344	364
Licences and permits		838	838	838	838	888	941	998
Transfers and subsidies		131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other revenue	2	1 198	1 746	1 746	1 746	1 273	1 346	1 427
<b>Total Municipal Revenue</b>		<b>162 963</b>	<b>161 764</b>	<b>161 764</b>	<b>161 764</b>	<b>173 694</b>	<b>186 872</b>	<b>200 410</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 15 per cent of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totalled R25.6 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 13 per cent or R22.9 million rand and increases to R25.1 million by 2020/21. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, interest on investments, fines , rentals of facilities building plan fees and other fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R142.9 million in the 2018/19 financial year and increases to R154.4 million and R166.2 in 2019/20 and 2020/21 respectively.

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**Table 3 Operating Transfers and Grant Receipts**

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>										
Local Government Equitable Share		100 009	128 397	123 980	131 076	131 076	131 076	140 318	152 741	164 425
96 234		124 217	121 046	128 137	128 137	128 137	136 733	150 771	162 455	
Finance Management		1 800	1 800	1 825	1 900	1 900	1 900	1 970	1 970	1 970
Municipal Systems Improvement		934	930	—	—	—	—	—	—	—
EPWP Incentive		1 041	1 450	1 109	1 039	1 039	1 039	1 615	—	—
<b>Provincial Government:</b>										
672		850	738	771	771	771	2 591	1 686	1 787	
Provincialisation of Libraries		535	553	559	583	583	583	838	880	924
Municipal Assistance Programme		126	170	179	188	188	188	753	806	863
Sports Fields Maintenance		11	127	—	—	—	—	1 000	—	—
Schemes Support Programme										
<b>Total Operating Transfers and Grants</b>	5	100 681	129 246	124 718	131 847	131 847	131 847	142 909	154 427	166 212

## Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, *inter alia* with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

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The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 6% increase from 1 July 2018 is contained below:

**Table 4 Comparison of proposed rates to be levied for the 2018/19 financial year:**

Category	Proposed Tariff (1 July 2018)	Current Tariff (1 July 2017)
	C	C
Residential property (Rebate – 30%)	0.01643	0.0155
Agricultural land	0.002875	0.0038
Public Service Infrastructure	0.002875	0.0038
Business property	0.0331	0.0312
Commercial property	0.0331	0.0312
Industrial property	0.0331	0.0312
Mining land	0.0331	0.0312
Vacant land Business	0.0623	0.0588
Vacant Land Residential	0.01643	0.0155
Indigent property	Nil	Nil
Specialised NMP	0.01643	0.0155
Municipal property	Nil	Nil

#### **1.4.2 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6% increase in the waste removal tariff is proposed from 1 July 2018. Any increase higher than 6% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2018:

**Table 5 Comparison between current waste removal fees and increases**

<b>Category</b>	<b>Proposed Tariff (1 July 2018)</b>	<b>Current Tariff (1 July 2017)</b>
	<b>R</b>	<b>R</b>
Domestic Consumers	113	107
Business:		
- Bulk	3 915.85	3 694.20
- Small	473	446
Governmental Institutions:		
- Hospitals/Clinics	3 472	3 472
- Educational	3 472	3 472
- Other	3 472	3 472
Hall Rental (Refundable Deposit of R300)	2400	2 260
Billboards	693	654.

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**1.4.3 Other tariffs of charges to be levied.**

**FEE STRUCTURE FOR APPLICATIONS IN TERMS OF THE SPATIAL PLANNING AND LAND USE  
MANAGEMENT ACT, 2013 (ACT NO. 16 OF 2013)**

NO	APPLICATION TYPE	DESCRIPTION	RATE	AMOUNT	QTY
1	Search Fee		Basic fee	R 20.00	
2	Copies of Documents		A4	R 2.00	
3			A3	R 3.00	
4	Consent in terms of a scheme		Basic fee	R 3 000..00	
5	Subdivision of land up to 5 pieces of land		Basic fee	R 3 000.00	
6	Plus per subdivision + remainder			R 200.00	
7	Subdivision of land over 5 pieces of land		Basic fee	R 4 000.00	
8	Plus per subdivision + remainder			R 120.00	
9	Subdivision for Government-subsidized Townships for low-income housing project		Basic fee	R 160.00	
10	Plus per subdivision + remainder			R 20.00	
11	Consolidation of land		Basic fee	R 500.00	
12	Plus per component			R 50.00	
13	Subdivision and consolidation of land simultaneously		Basic fee	R 3 500.00	
14	Plus per component + remainder			R 250.00	
15	Cancellation of approved layout plan		Basic fee	R 1 000.00	
16	Relaxation of building lines		Basic fee	R 200.00	
17	Relaxation of municipal omnibus servitudes		Basic fee	R 200.00	
18	Preparation of Service Agreements		Basic fee	R 1 000.00	
19	Alteration, suspension and deletion of condition of title relating to land		Basic fee	R 2 000.00	
20	Alteration, suspension and deletion of condition of approval relating to land		Basic fee	R 3 000.00	

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23	Development situated outside the area of a scheme	Basic fee	R 3 000.00
24	Closure of municipal road	Basic fee	R 3 000.00
25	Closure of public place	Basic fee	R 3 000.00
26	Application for rezoning	Less than 1ha	R 3 000.00
27	1ha to 5ha		R 8 000.00
28	5ha to 10ha		R16 000.00
29	10ha & above		R20 000.00

**NB. Advertisement costs shall be borne by the applicant.** Upon confirmation of the application being complete and the 14 day acknowledgement period having lapsed, the Development Planning Department shall, within a period of **14 working days**, supply the applicant with the text of the notice to be advertised in the two official language of the region, which the applicant shall place in the local newspaper at their cost, and serve copies thereof on affected property owners as directed by the Development Officer.

ENFORCEMENT	RATE	AMOUNT	
		QTY	
1	Confirmation of Contravention on site		R 5 000.00
2	Continued operation per day until matter in Court		R 500.00
3	<b>TOTAL</b>		

**NB: Charge be imposed by Court** – This fine is imposed by the Court in consultation with the Council and may not be less than 10% and not more than 100% of the value of the building, construction, engineering, mining, or other operation performed.

PRINTED MAPS	BLACK AND WHITE	COLOUR	QTY	AMOUNT
1	A4	R 30.00	R 60.00	

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<b>2</b>	A3	R 60.00	R 120.00
<b>3</b>	A2	R 80.00	R 180.00
<b>4</b>	A1	R 120.00	R 240.00
<b>5</b>	A0	R150.00	R 300.00

**ADVERTISING SIGNAGE INCOME**

<b>NO</b>	<b>APPLICATION TYPE</b>	<b>DESCRIPTION</b>	<b>RATE</b>	<b>AMOUNT</b>
31	Application Fee-Standard			R 413
32	Application Fee-Billboard			R 2385
33	Application Fee-Mobile Signs Permit			R 413
34	Application Fee-For Sale Signs Permit			R 1320
35	Application Fee-on show signs Permit			R 1320
36	Annual Fee-Billboard (private Property) (Per M2 per sign face)			R 159
37	Annual Fee-Billboard (Municipal property) (Per M2 per sign face)			R 254
38	Annual Fee-Directional Sign (per sign face)			R 848
39	Annual Fee-illuminated street Name Signs (per Sign face)			R 1166
40	Annual Fee-Litter Bins			R 461
41	Annual Fee-Permanent street pole posters (per sign face)			R 498
42	Annual Fee-pole Bins			R 461
43	Annual Fee-seating bench			R 721
44	Annual Fee-Encroaching sign			R 933

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45	Permit Fee-Banner	R 461
46	Permit Fee-Mobile sign	R 1590
47	Permit Fee-Poster (non-commercial per poster maximum 100 posters)	R 663
48	Permit Fee-poster (commercial per poster maximum 100 poster)	R 1320
49	Annual Tariff increase (%)	6 %

**ADVERTISING SIGNAGE DEPOSIT**

50	Deposit-Banner	R 1060
51	Deposit-For sale permit	R 1590
52	Deposit-Mobile sign	R 1590
53	Deposit-On show permits	R 1590
54	Deposit-Poster	R 1590
55	Deposit-Election poster per party	

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**Table 6 Summary of operating expenditure by standard classification item**

Description R thousand	Ref 1	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>								
Employee related costs	2	71 907	77 698	77 698	77 698	83 215	89 131	95 459
Remuneration of councillors		13 852	13 852	13 852	13 852	14 822	15 859	16 969
Debt impairment	3	1 000	1 000	1 000	1 000	1 736	1 840	1 951
Depreciation & asset impairment	2	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges		52	52	52	52	200	212	225
Other materials	8	5 145	6 645	6 645	6 645	4 540	4 813	5 102
Contracted services		27 774	16 080	16 080	16 080	24 051	25 494	27 024
Transfers and subsidies		150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	4, 5	33 348	35 584	35 584	35 584	29 745	31 530	33 421
<b>Total Expenditure</b>		<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>

The budgeted allocation for employee related costs for the 2018/19 financial year totals R83.2 million, which equals 50% of the total operating expenditure.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 7% has been factored into the budget for this financial year.

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R1.7 million and increases up to R1.8 million by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R4.9 million for the 2018/19 financial year and equates to 2.9% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets

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previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years and going forward.

Contracted services comprise budgeted expenditure for security services, waste management services, supply and delivery of stationery, fleet management and repairs & maintenance costs. In the 2018/19 financial year, this group of expenditure totals R24.0 million .For the two outer years increased to R25.4 and R27.0 million respectively.

Transfers and grants of R1.5 million relates to the provision for 50kwv free basic electricity (FBE).

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget has been limited to R29.7.3 million for 2018/19 and R31.5 million and R33.4 million for the two outer years.

### **1.4.3 Priority given to repairs and maintenance**

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

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**Table 7 Operational repairs and maintenance**

Description R thousand	Ref 1	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>							
<b>Infrastructure</b>		-	-	-	1 100	1 166	1 236
Roads Infrastructure		-	-	-	1 100	1 166	1 236
Roads					1 100	1 166	1 236
<b>Other assets</b>		1 500	1 000	1 000	700	742	787
Operational Buildings		1 500	1 000	1 000	700	742	787
Municipal Offices		1 500	1 000	1 000	700	742	787
<b>Intangible Assets</b>		648	648	648	-	-	-
Licences and Rights		648	648	648	-	-	-
Unspecified		648	648	648	-	-	-
<b>Computer Equipment</b>		107	-	-	-	-	-
Computer Equipment		107	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-
<b>Machinery and Equipment</b>		2 261	1 800	1 800	130	138	146
Machinery and Equipment		2 261	1 800	1 800	130	138	146
<b>Transport Assets</b>		-	-	-	500	530	562
Transport Assets		-	-	-	500	530	562
<b>Total Repairs and Maintenance Expenditure</b>	1	4 516	3 448	3 448	2 430	2 576	2 730

The infrastructure relating to electricity, water and sanitation is now the responsibility of the District Municipality. The total allocation for 2018/19 equates to R2.4 million, R2.5 million and R2.7 million for 2019/20 and 2020/21 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 1.4% for 2018/19 and also 1.4% for the two outer years of the MTREF.

#### 1.4.4 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2018/19 financial year, a process is reviewed annually. Details

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relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table21 SA10 (Basic Service Delivery Measurement) on page 30.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

### **1.5 Capital expenditure**

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 8 2018/2019 Medium-term capital budget per vote**

Description R thousand	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>						
<b>Infrastructure</b>	<b>58 378</b>	<b>58 378</b>	<b>58 378</b>	<b>54 786</b>	<b>43 873</b>	<b>45 494</b>
Roads Infrastructure	43 378	43 378	43 378	39 786	31 873	33 494
Roads	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares	15 000	15 000	15 000	15 000	12 000	12 000
<b>Community Assets</b>	<b>4 487</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Community Facilities	4 487	–	–	–	–	–
Halls	3 487	–	–	–	–	–
Testing Stations	1 000	–	–	–	–	–
<b>Intangible Assets</b>	<b>–</b>	<b>2 094</b>	<b>2 094</b>	<b>–</b>	<b>–</b>	<b>7 000</b>
Licences and Rights	–	2 094	2 094	–	–	7 000
Unspecified	–	2 094	2 094	–	–	7 000
<b>Computer Equipment</b>	<b>–</b>	<b>162</b>	<b>162</b>	<b>290</b>	<b>307</b>	<b>326</b>
Computer Equipment	–	162	162	290	307	326
<b>Furniture and Office Equipment</b>	<b>989</b>	<b>125</b>	<b>125</b>	<b>130</b>	<b>138</b>	<b>146</b>
Furniture and Office Equipment	989	125	125	130	138	146
<b>Machinery and Equipment</b>	<b>235</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and Equipment	235	–	–	–	–	–
<b>Transport Assets</b>	<b>–</b>	<b>2 950</b>	<b>2 950</b>	<b>–</b>	<b>–</b>	<b>–</b>
Transport Assets	–	2 950	2 950	–	–	–
<b>Total Capital Expenditure on new assets</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>

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For 2018/2019 financial year an amount of R54.7 million has been appropriated for the development of infrastructure and community assets which presents 99% of the total capital budget, R54.7 million includes R8.5 million allocated from the equitable share, in the outer years this amount totals R44.3 million and R52.9 million respectively for each of the financial years.

Total new assets represent 100% or R55.2 million of the total capital budget while no capital budget allocation has been made for assets renewal. futher detail relating to asset classes and proposed capital expenditure is contained in Table 20 A9 (Asset Management) on page 36. in additional to the MBRR table A9, MBRR table SA34a,b,c provide a detailed breakdown of the capital programme relating to new assets construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the projects to be undertaken over the medium –term included, amongst others

- ✚ *Electrification projects to the value of R15 million*
- ✚ *Construction of rural roads and community halls- R21.7*
- ✚ *Construction of Crashes-R2.0*
- ✚ *Construction of Sports Facilities-R7.5*
- ✚ *Computers equipment – (R290 000)*
- ✚ *Furniture –(130 000)*
- ✚ *One Gravel road, one sport field and one Couse way which cost R8.5 million to be funded by equitable share as per national treasury recommendation.*

### **1.6 Annual Budget Tables**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 9 MBRR Table A1 - Budget Summary**

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KZN265 Nongoma - Table A1 Budget Summary

Description R thousands	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Financial Performance</b>										
Property rates	15 792	18 230	19 507	21 858	21 858	21 858	21 858	22 995	24 191	25 449
Service charges	1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Investment revenue	1 138	1 814	2 444	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Transfers recognised - operational	101 320	129 307	124 758	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Other own revenue total revenue (excluding capital transfers and contributions)	3 602	3 959	3 980	5 523	4 324	4 324	4 324	3 831	4 058	4 302
	123 507	154 996	152 413	162 963	161 764	161 764	161 764	173 694	186 872	200 410
Employee costs	49 565	67 661	73 795	71 907	77 698	77 698	77 698	83 215	89 131	95 459
Remuneration of councillors	11 277	12 495	13 185	13 852	13 852	13 852	13 852	14 822	15 859	16 969
Depreciation & asset impairment	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges	257	129	142	52	52	52	52	200	212	225
Materials and bulk purchases	–	–	–	5 145	6 645	6 645	6 645	4 540	4 813	5 102
Transfers and grants	1 011	211	217	150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	48 758	52 096	66 496	62 122	52 663	52 663	52 663	55 532	58 864	62 396
<b>Total Expenditure</b>	<b>120 591</b>	<b>142 988</b>	<b>166 652</b>	<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>
<b>Surplus/(Deficit)</b>	<b>2 916</b>	<b>12 008</b>	<b>(14 239)</b>	<b>5 711</b>	<b>5 330</b>	<b>5 330</b>	<b>5 330</b>	<b>8 920</b>	<b>11 140</b>	<b>12 995</b>
Transfers and subsidies - capital (money)	42 891	47 505	44 415	58 378	58 378	58 378	58 378	46 286	43 873	45 494
Contributions recognised - capital & corp	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>45 807</b>	<b>59 513</b>	<b>30 175</b>	<b>64 089</b>	<b>63 708</b>	<b>63 708</b>	<b>63 708</b>	<b>55 206</b>	<b>55 013</b>	<b>58 489</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>45 807</b>	<b>59 513</b>	<b>30 175</b>	<b>64 089</b>	<b>63 708</b>	<b>63 708</b>	<b>63 708</b>	<b>55 206</b>	<b>55 013</b>	<b>58 489</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>52 659</b>	<b>37 528</b>	<b>46 706</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>
Transfers recognised - capital	50 707	36 068	41 672	58 378	58 378	58 378	58 378	46 286	43 873	45 494
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	1 952	1 460	5 034	5 711	5 331	5 331	5 331	8 920	445	472
<b>Total sources of capital funds</b>	<b>52 659</b>	<b>37 528</b>	<b>46 706</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>45 966</b>
<b>Financial position</b>										
Total current assets	31 927	32 994	31 849	32 667	32 667	32 667	32 667	32 577	37 813	39 682
Total non current assets	255 344	297 421	334 066	319 531	319 531	319 531	319 531	335 363	352 131	369 737
Total current liabilities	17 315	16 209	28 529	16 496	16 496	16 496	16 496	17 135	18 163	19 253
Total non current liabilities	7 710	9 385	3 185	7 955	7 955	7 955	7 955	6 543	6 870	7 214
Community wealth/Equity	262 247	304 821	334 201	327 746	327 746	327 746	327 746	344 261	364 911	382 953
<b>Cash flows</b>										
Net cash from (used) operating	54 621	41 214	43 910	62 096	66 523	66 523	66 523	52 584	52 288	55 657
Net cash from (used) investing	(36 683)	(49 547)	(46 760)	(64 089)	(63 709)	(63 709)	(63 709)	(55 206)	(44 318)	(52 966)
Net cash from (used) financing	(3 221)	(799)	(18)	7	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>15 678</b>	<b>6 545</b>	<b>3 678</b>	<b>1 693</b>	<b>6 493</b>	<b>6 493</b>	<b>6 493</b>	<b>3 870</b>	<b>11 840</b>	<b>14 531</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	15 714	6 854	3 678	11 171	6 492	6 492	6 492	3 870	7 692	8 076
Application of cash and investments	1 347	(4 122)	2 692	10	(7 762)	(7 762)	(7 762)	(2 443)	(2 374)	(2 291)
<b>Balance - surplus (shortfall)</b>	<b>14 368</b>	<b>10 976</b>	<b>987</b>	<b>11 161</b>	<b>14 254</b>	<b>14 254</b>	<b>14 254</b>	<b>6 313</b>	<b>10 066</b>	<b>10 368</b>
<b>Asset management</b>										
Asset register summary (WDV)	297 421	334 066	319 530	319 531	319 531	319 531	319 531	335 363	352 131	369 737
Depreciation	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	4 506	–	–	4 516	3 448	3 448	3 448	2 430	2 576	2 730
<b>Free services</b>										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	3 213	–	–	425	425	425	447	447	470	495
<b>Households below minimum service level</b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sew erage:	–	20	20	21	21	21	21	21	21	21
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	39	39	41	41	41	41	41	41	41

**Explanatory notes to Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognized is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

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**Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

KZN265 Nongoma - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description R thousand	Ref 1	2014/15			2015/16			2016/17			Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21						
<b>Revenue - Functional</b>																
<i>Governance and administration</i>		119 299	148 497	147 279	158 619	155 426	155 426	165 665	173 171	191 875						
Finance and administration		119 299	148 497	147 279	158 619	155 426	155 426	165 665	173 171	191 875						
<i>Community and public safety</i>		1 879	910	1 384	159 166	159 279	159 279	2 351	2 492	2 641						
Community and social services		1 292	910	944	158 896	158 976	158 976	2 031	2 153	2 282						
Public safety		588	–	440	270	302	302	320	339	359						
<i>Economic and environmental services</i>		42 891	48 955	45 587	43 526	45 407	45 407	34 060	40 004	36 124						
Planning and development		–	–	68	148	990	990	1 159	1 229	1 302						
Road transport		42 891	48 955	45 519	43 378	44 417	44 417	32 901	38 775	34 822						
<i>Trading services</i>		1 654	1 685	1 790	16 904	16 904	16 904	17 018	14 140	21 268						
Energy sources		–	–	–	15 000	15 000	15 000	15 000	12 000	19 000						
Waste management		1 654	1 685	1 790	1 904	1 904	1 904	2 018	2 140	2 268						
<i>Other</i>	4	675	2 454	787	838	838	838	886	939	996						
<b>Total Revenue - Functional</b>	2	<b>166 398</b>	<b>202 501</b>	<b>196 828</b>	<b>379 053</b>	<b>377 854</b>	<b>377 854</b>	<b>219 980</b>	<b>230 745</b>	<b>252 904</b>						
<b>Expenditure - Functional</b>																
<i>Governance and administration</i>		114 912	80 561	92 817	84 513	80 888	80 888	89 698	96 151	103 060						
Executive and council		9 657	34 424	36 611	37 704	37 704	37 704	29 651	31 430	33 315						
Finance and administration		105 255	46 138	56 207	46 809	43 185	43 185	60 047	64 721	69 744						
<i>Community and public safety</i>		3 380	23 597	34 557	36 090	37 096	37 096	35 737	37 882	40 155						
Community and social services		2 544	18 240	26 274	27 655	28 505	28 505	27 883	29 556	31 329						
Public safety		836	5 357	8 282	8 435	8 591	8 591	7 855	8 326	8 826						
<i>Economic and environmental services</i>		1 965	18 638	23 313	21 826	25 127	25 127	25 799	27 347	28 988						
Planning and development		926	9 692	9 235	13 114	13 662	13 662	13 964	14 802	15 690						
Road transport		1 039	8 947	14 077	8 712	11 466	11 466	11 835	12 545	13 298						
<i>Trading services</i>		0	12 276	11 944	12 453	10 805	10 805	10 921	11 576	12 271						
Waste management		–	12 276	11 944	12 453	10 805	10 805	10 921	11 576	12 271						
<i>Other</i>	4	334	7 915	4 021	2 370	2 516	2 516	2 619	2 776	2 943						
<b>Total Expenditure - Functional</b>	3	<b>120 591</b>	<b>142 988</b>	<b>166 652</b>	<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>164 774</b>	<b>175 732</b>	<b>187 415</b>						
<b>Surplus/(Deficit) for the year</b>		<b>45 807</b>	<b>59 513</b>	<b>30 175</b>	<b>221 802</b>	<b>221 421</b>	<b>221 421</b>	<b>55 206</b>	<b>55 014</b>	<b>65 489</b>						

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.

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3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

**Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

KZN265 Nongoma - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2014/15			2015/16			2016/17			Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21							
<b>Revenue by Vote</b>	1																
1.1 - Mayor and Executive council		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
2.1 - Budget and Treasury		119 299	148 497	146 736	158 077	154 820	154 820	165 090	172 561	191 229							
3.1 - Administration		–	–	543	543	606	606	575	610	646							
4.1 - Community services		1 292	910	944	1 183	1 264	1 264	2 031	2 153	2 282							
5.1 - Planning and Economic Development		42 891	48 955	45 587	58 526	60 407	60 407	49 060	52 004	55 124							
6.1 - Roads		625	768	787	838	838	838	886	939	996							
7.1 - Police Services		588	–	440	270	302	302	320	339	359							
8.1 - Refuse		1 654	1 685	1 790	1 904	1 904	1 904	2 018	2 140	2 268							
9.1 - Tourism		50	1 685	–	–	–	–	–	–	–							
<b>Total Revenue by Vote</b>	2	<b>166 398</b>	<b>202 501</b>	<b>196 828</b>	<b>221 341</b>	<b>220 142</b>	<b>220 142</b>	<b>219 980</b>	<b>230 745</b>	<b>252 904</b>							
<b>Expenditure by Vote to be appropriated</b>	1																
1.1 - Mayor and Executive council		9 657	34 424	36 611	37 704	37 704	37 704	29 651	31 430	33 315							
2.1 - Budget and Treasury		104 327	28 070	30 315	26 602	24 531	24 531	33 372	36 445	39 771							
3.1 - Administration		928	18 067	25 674	20 207	18 654	18 654	26 676	28 277	29 973							
4.1 - Community services		2 544	18 240	26 274	27 655	28 505	28 505	27 883	29 556	31 329							
5.1 - Planning and Economic Development		926	15 753	23 313	20 142	23 431	23 431	24 056	25 499	27 029							
6.1 - Roads		1 039	10 801	3 297	3 679	3 820	3 820	4 362	4 624	4 902							
7.1 - Police Services		836	5 357	8 282	8 435	8 591	8 591	7 855	8 326	8 826							
8.1 - Refuse		–	12 276	11 944	12 453	10 805	10 805	10 921	11 576	12 271							
9.1 - Tourism		334	–	725	375	392	392	–	–	–							
<b>Total Expenditure by Vote</b>	2	<b>120 591</b>	<b>142 988</b>	<b>166 435</b>	<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>							
<b>Surplus/(Deficit) for the year</b>	2	<b>45 807</b>	<b>59 513</b>	<b>30 393</b>	<b>64 089</b>	<b>63 708</b>	<b>63 708</b>	<b>55 206</b>	<b>55 013</b>	<b>65 489</b>							

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating

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performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

**Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)									2018/19 Medium Term Revenue & Expenditure Framework		
Description R thousand	Ref 1	2014/15	2015/16	2016/17	Current Year 2017/18			Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast				
<b>Revenue By Source</b>											
Property rates	2	15 792	18 230	19 507	21 858	21 858	21 858	21 858	22 995	24 191	25 449
Service charges - refuse revenue	2	1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Rental of facilities and equipment		121	60	167	234	234	234	234	246	261	276
Interest earned - external investments	1	1 138	1 814	2 444	1 831	1 831	1 831	1 831	1 940	2 057	2 180
Interest earned - outstanding debtors		1 897	—		2 979	1 200	1 200	1 200	1 100	1 166	1 236
Fines, penalties and forfeits		588	2 401	268	274	306	306	306	324	344	364
Licences and permits		625	768	869	838	838	838	838	888	941	998
Transfers and subsidies	101 320	129 307	124 758	131 847	131 847	131 847	131 847	142 909	154 427	166 212	
Other revenue	2	372	730	2 676	1 198	1 746	1 746	1 746	1 273	1 346	1 427
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>123 507</b>	<b>154 996</b>	<b>152 413</b>	<b>162 963</b>	<b>161 764</b>	<b>161 764</b>	<b>161 764</b>	<b>173 694</b>	<b>186 872</b>	<b>200 410</b>
<b>Expenditure By Type</b>											
Employee related costs	2	49 565	67 661	73 795	71 907	77 698	77 698	77 698	83 215	89 131	95 459
Remuneration of councillors		11 277	12 495	13 185	13 852	13 852	13 852	13 852	14 822	15 859	16 969
Debt impairment	3	1 612	1 807	3 977	1 000	1 000	1 000	1 000	1 736	1 840	1 951
Depreciation & asset impairment	2	9 723	10 396	12 817	4 023	4 023	4 023	4 023	4 916	5 211	5 524
Finance charges		257	129	142	52	52	52	52	200	212	225
Other materials	8				5 145	6 645	6 645	6 645	4 540	4 813	5 102
Contracted services		10 901	12 328	17 133	27 774	16 080	16 080	16 080	24 051	25 494	27 024
Transfers and subsidies		1 011	211	217	150	1 500	1 500	1 500	1 550	1 643	1 742
Other expenditure	4, 5	36 246	37 961	45 387	33 348	35 584	35 584	35 584	29 745	31 530	33 421
<b>Total Expenditure</b>		<b>120 591</b>	<b>142 988</b>	<b>166 652</b>	<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>
<b>Surplus/(Deficit)</b>		<b>2 916</b>	<b>12 008</b>	<b>(14 239)</b>	<b>5 711</b>	<b>5 330</b>	<b>5 330</b>	<b>5 330</b>	<b>8 920</b>	<b>11 140</b>	<b>12 995</b>
Transfers recognised capital		42 891	47 505	44 415	58 378	58 378	58 378	58 378	46 286	43 873	45 494
<b>Surplus/(Deficit) for the year</b>		<b>45 807</b>	<b>59 513</b>	<b>30 175</b>	<b>64 089</b>	<b>63 708</b>	<b>63 708</b>	<b>63 708</b>	<b>55 206</b>	<b>55 013</b>	<b>58 489</b>

### **Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R173.6 million in 2018/19 and increases to R186.8 million by 2019/20.
2. Revenue to be generated from property rates is R22.9 million in the 2018/19 financial year which represents 13.2% of the operating revenue base of the Municipality and R24.1 million by 2019/20.
3. Services charges relating to refuse removal constitutes 1.1% or R2.0 million of the operating revenue budget for the 2018/19 financial year and increasing to R2.1 million by 2019/20.

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4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. in 2018/19 is equal to R142.9 and increases to R154.4 million and R166.2 million in two outer years respectively.
5. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2018/19 to 2020/21 period escalating from R91.5 million to R98.0 million including remuneration of councillors.
6. General expenses have decreased from R35.5 million in 2017/18 to R29.7 in 2018/19.

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**Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

KZN265 Nongoma - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref 1	Current Year 2017/18							2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome		Audited Outcome		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		<u>Capital expenditure - Vote</u>										
<u>Multi-year expenditure to be appropriated</u>	2											
4.1 - Community services		280	—	—	—	—	—	—	—	—	—	—
5.1 - Planning and Economic Development		50 307	36 068	46 561	60 928	60 160	60 160	60 160	54 786	43 873	52 494	
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>50 587</b>	<b>36 068</b>	<b>46 561</b>	<b>60 928</b>	<b>60 160</b>	<b>60 160</b>	<b>60 160</b>	<b>54 786</b>	<b>43 873</b>	<b>52 494</b>	
<u>Single-year expenditure to be appropriated</u>	2											
1.1 - Mayor and Executive council		696	569	—	—	1 300	1 300	1 300	—	—	—	—
2.1 - Budget and Treasury		104	41	145	93	120	120	120	30	32	34	
3.1 - Administration		245	500	—	368	1 994	1 994	1 994	390	413	438	
4.1 - Community services		163	350	—	700	60	60	60	—	—	—	—
5.1 - Planning and Economic Development		863	—	—	—	60	60	60	—	—	—	—
7.1 - Police Services		—	—	—	1 000	15	15	15	—	—	—	—
8.1 - Refuse		—	—	—	1 000	—	—	—	—	—	—	—
<b>Capital single-year expenditure sub-total</b>	<b>2 072</b>	<b>1 460</b>	<b>145</b>	<b>3 161</b>	<b>3 549</b>	<b>3 549</b>	<b>3 549</b>	<b>420</b>	<b>445</b>	<b>472</b>		
<b>Total Capital Expenditure - Vote</b>		<b>52 659</b>	<b>37 528</b>	<b>46 706</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>	
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>		<b>1 040</b>	<b>1 110</b>	<b>145</b>	<b>2 011</b>	<b>3 421</b>	<b>3 421</b>	<b>3 421</b>	<b>420</b>	<b>445</b>	<b>472</b>	
Executive and council		696	569	—	—	1 300	1 300	1 300	—	—	—	—
Finance and administration		344	541	145	2 011	2 121	2 121	2 121	420	445	472	
Internal audit		—	—	—	—	—	—	—	—	—	—	—
<b>Community and public safety</b>		<b>420</b>	<b>350</b>	<b>—</b>	<b>1 700</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>—</b>	<b>—</b>	<b>—</b>	
Community and social services		420	350	—	700	75	75	75	—	—	—	—
Public safety		—	—	—	1 000	—	—	—	—	—	—	—
<b>Economic and environmental services</b>		<b>51 199</b>	<b>36 068</b>	<b>46 561</b>	<b>59 378</b>	<b>60 213</b>	<b>60 213</b>	<b>60 213</b>	<b>54 786</b>	<b>43 873</b>	<b>52 494</b>	
Planning and development		892	—	4 890	1 000	1 782	1 782	1 782	—	—	—	—
Road transport		50 307	36 068	41 672	58 378	58 431	58 431	58 431	54 786	43 873	52 494	
<b>Trading services</b>		—	—	—	1 000	—	—	—	—	—	—	—
Waste management		—	—	—	1 000	—	—	—	—	—	—	—
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>52 659</b>	<b>37 528</b>	<b>46 706</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>	
<b>Funded by:</b>												
National Government		50 307	36 068	41 672	58 378	58 378	58 378	58 378	46 286	43 873	45 494	
Provincial Government		400	—	—	—	—	—	—	—	—	—	—
<b>Transfers recognised - capital</b>	<b>4</b>	<b>50 707</b>	<b>36 068</b>	<b>41 672</b>	<b>58 378</b>	<b>58 378</b>	<b>58 378</b>	<b>58 378</b>	<b>46 286</b>	<b>43 873</b>	<b>45 494</b>	
<b>Public contributions &amp; donations</b>	<b>5</b>											
<b>Borrowing</b>	<b>6</b>											
<b>Internally generated funds</b>		1 952	1 460	5 034	5 711	5 331	5 331	5 331	8 920	445	472	
<b>Total Capital Funding</b>	<b>7</b>	<b>52 659</b>	<b>37 528</b>	<b>46 706</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>	

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

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2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2018/19 R54.7 million has been allocated of the total R55.2 million capital budget. This allocation decreases to R44.3 million in 2019/20 and then increases to R52.9 million in 2020/21.
3. Internally generated funding amount of R8.9 million, R445 thousand and R472 thousand for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).
4. The Capital programs are funded from National capital grants.
5. Internally generated funding amount to R8.9 million, R45 thousands and R472 thousands for each of the respective financial years of the MTREF.

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**Table 14 MBRR Table A6 -Budgeted Financial Position**

KZN265 Nongoma - Table A6 Budgeted Financial Position

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		15 678	6 546	3 678	8 859	4 180	4 180	4 180	2 337	4 696	4 931
Call investment deposits	1	37	309	–	2 312	2 312	2 312	2 312	1 533	2 996	3 145
Consumer debtors	1	15 299	21 858	26 564	20 498	25 177	25 177	25 177	27 659	29 042	30 494
Other debtors		914	4 282	900	998	998	998	998	1 048	1 079	1 112
Current portion of long-term receivables				707							
<b>Total current assets</b>		<b>31 927</b>	<b>32 994</b>	<b>31 849</b>	<b>32 667</b>	<b>32 667</b>	<b>32 667</b>	<b>32 667</b>	<b>32 577</b>	<b>37 813</b>	<b>39 682</b>
<b>Non current assets</b>											
Property , plant and equipment	3	255 167	296 963	333 789	319 035	319 035	319 035	319 035	334 987	351 736	369 323
Intangible		177	458	277	496	496	496	496	376	395	415
Other non-current assets											
<b>Total non current assets</b>		<b>255 344</b>	<b>297 421</b>	<b>334 066</b>	<b>319 531</b>	<b>319 531</b>	<b>319 531</b>	<b>319 531</b>	<b>335 363</b>	<b>352 131</b>	<b>369 737</b>
<b>TOTAL ASSETS</b>		<b>287 271</b>	<b>330 415</b>	<b>365 915</b>	<b>352 197</b>	<b>352 197</b>	<b>352 197</b>	<b>352 197</b>	<b>367 939</b>	<b>389 944</b>	<b>409 420</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	173	54	175	28	28	28	28	–	–	–
Consumer deposits		96	575	116							
Trade and other payables	4	17 046	15 041	21 327	16 355	16 355	16 355	16 355	17 035	18 057	19 141
Provisions			539	6 911	113	113	113	113	100	106	112
<b>Total current liabilities</b>		<b>17 315</b>	<b>16 209</b>	<b>28 529</b>	<b>16 496</b>	<b>16 496</b>	<b>16 496</b>	<b>16 496</b>	<b>17 135</b>	<b>18 163</b>	<b>19 253</b>
<b>Non current liabilities</b>											
Borrowing		1 865	3 117	3 131	–	–	–	–	–	–	–
Provisions		5 845	6 269	54	7 955	7 955	7 955	7 955	6 543	6 870	7 214
<b>Total non current liabilities</b>		<b>7 710</b>	<b>9 385</b>	<b>3 185</b>	<b>7 955</b>	<b>7 955</b>	<b>7 955</b>	<b>7 955</b>	<b>6 543</b>	<b>6 870</b>	<b>7 214</b>
<b>TOTAL LIABILITIES</b>		<b>25 025</b>	<b>25 594</b>	<b>31 714</b>	<b>24 451</b>	<b>24 451</b>	<b>24 451</b>	<b>24 451</b>	<b>23 678</b>	<b>25 033</b>	<b>26 467</b>
<b>NET ASSETS</b>	5	<b>262 247</b>	<b>304 821</b>	<b>334 201</b>	<b>327 746</b>	<b>327 746</b>	<b>327 746</b>	<b>327 746</b>	<b>344 261</b>	<b>364 911</b>	<b>382 953</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		262 247	304 821	334 201	327 746	327 746	327 746	327 746	344 261	364 911	382 953
Reserves	4	–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/</b>	5	<b>262 247</b>	<b>304 821</b>	<b>334 201</b>	<b>327 746</b>	<b>327 746</b>	<b>327 746</b>	<b>327 746</b>	<b>344 261</b>	<b>364 911</b>	<b>382 953</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in

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order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

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**Table15 MBRR Table A7 - Budgeted Cash Flow Statement**

KZN265 Nongoma - Table A7 Budgeted Cash Flows

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		14 729	13 901	15 039	18 000	18 000	18 000	18 000	16 326	17 175	18 069
Service charges			1 685		700	700	700	700	686	727	771
Other revenue		5 653	1 916	2 068	3 569	7 178	7 178	7 178	2 559	2 709	2 872
Government - operating	1	101 320	113 969	169 128	131 847	131 847	131 847	131 847	142 909	154 427	166 212
Government - capital	1	42 891	47 505		58 378	58 378	58 378	58 378	46 286	43 873	45 494
Interest		1 138		1 663	1 831	1 831	1 831	1 831	1 940	2 057	2 180
<b>Payments</b>											
Suppliers and employees		(110 853)	(137 634)	(143 845)	(152 026)	(149 858)	(149 858)	(149 858)	(156 373)	(166 826)	(177 974)
Finance charges		(257)	(129)	(142)	(52)	(52)	(52)	(52)	(200)	(212)	(225)
Transfers and Grants	1	–	–		(150)	(1 500)	(1 500)	(1 500)	(1 550)	(1 643)	(1 742)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>54 621</b>	<b>41 214</b>	<b>43 910</b>	<b>62 096</b>	<b>66 523</b>	<b>66 523</b>	<b>66 523</b>	<b>52 584</b>	<b>52 288</b>	<b>55 657</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>					(46 706)						
Proceeds on disposal of PPE					(46 706)				–	–	–
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables				(31)					–	–	–
Decrease (increase) in non-current investments									–	–	–
<b>Payments</b>											
Capital assets		(36 683)	(49 517)	(54)	(64 089)	(63 709)	(63 709)	(63 709)	(55 206)	(44 318)	(52 966)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(36 683)</b>	<b>(49 547)</b>	<b>(46 760)</b>	<b>(64 089)</b>	<b>(63 709)</b>	<b>(63 709)</b>	<b>(63 709)</b>	<b>(55 206)</b>	<b>(44 318)</b>	<b>(52 966)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		(2 700)							–	–	–
Borrowing long term/refinancing		(240)							–	–	–
Increase (decrease) in consumer deposits		–			7				–	–	–
<b>Payments</b>											
Repayment of borrowing		(281)	(799)	(18)					–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(3 221)</b>	<b>(799)</b>	<b>(18)</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>14 718</b>	<b>(9 132)</b>	<b>(2 868)</b>	<b>(1 985)</b>	<b>2 814</b>	<b>2 814</b>	<b>2 814</b>	<b>(2 622)</b>	<b>7 970</b>	<b>2 691</b>
Cash/cash equivalents at the year begin	2	960	15 678	6 546	3 678	3 678	3 678	3 678	6 492	3 870	11 840
Cash/cash equivalents at the year end	2	15 678	6 545	3 678	1 693	6 493	6 493	6 493	3 870	11 840	14 531

The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2018/19 to 2020/21. For the 2018/19 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to amount R3.7 million by 2018/19 and rapidly increasing to R21.5 million by 2020/21.

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

**The Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 58 and 59 which deal with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- ✚ What are the predicted cash and investments that are available at the end of the budget year?
- ✚ How are those funds used?
- ✚ What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

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**Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

KZN265 Nongoma - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	15 678	6 545	3 678	1 693	6 493	6 493	6 493	3 870	11 840	21 531
Other current investments > 90 days		37	309	–	9 478	(1)	(1)	(1)	(1)	(4 148)	(13 454)
<b>Cash and investments available:</b>		<b>15 714</b>	<b>6 854</b>	<b>3 678</b>	<b>11 171</b>	<b>6 492</b>	<b>6 492</b>	<b>6 492</b>	<b>3 870</b>	<b>7 692</b>	<b>8 076</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		300	221	175	–	–	–	–	–	–	–
Other working capital requirements	3	1 047	(4 343)	2 517	10	(7 762)	(7 762)	(7 762)	(2 443)	(2 374)	(2 291)
<b>Total Application of cash and investments:</b>		<b>1 347</b>	<b>(4 122)</b>	<b>2 692</b>	<b>10</b>	<b>(7 762)</b>	<b>(7 762)</b>	<b>(7 762)</b>	<b>(2 443)</b>	<b>(2 374)</b>	<b>(2 291)</b>
<b>Surplus(shortfall)</b>		<b>14 368</b>	<b>10 976</b>	<b>987</b>	<b>11 161</b>	<b>14 254</b>	<b>14 254</b>	<b>14 254</b>	<b>6 313</b>	<b>10 066</b>	<b>10 368</b>

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be “funded”.
4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.
5. The budget for the MTREF 2018/19 to 2020/21 with a positive surplus of R6.3, R10.0. and R10.3 million is appropriately funded.

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**Table 17 MBRR Table A9 - Asset Management**

KZN265 Nongoma - Table A9 Asset Management

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	52 659	37 528	46 706	64 089	63 709	63 709	55 206	44 318	52 966
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Infrastructure		51 945	36 068	41 672	58 378	58 378	58 378	54 786	43 873	45 494
Community Facilities		—	—	—	4 487	—	—	—	—	—
Community Assets		—	—	—	4 487	—	—	—	—	—
Heritage Assets		—	—	—	—	—	—	—	—	—
Licences and Rights		—	—	—	—	2 094	2 094	—	—	7 000
Intangible Assets		—	—	—	—	2 094	2 094	—	—	7 000
Computer Equipment		148	350	145	—	162	162	290	307	326
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Machinery and Equipment		183	41	—	235	—	—	—	—	—
Transport Assets		—	500	—	—	2 950	2 950	—	—	—
<b>Total Renewal of Existing Assets</b>	2	—	—	—	—	—	—	—	—	—
Roads Infrastructure		44 423	30 068	39 393	43 378	43 378	43 378	39 786	31 873	33 494
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		7 523	6 000	2 279	15 000	15 000	15 000	15 000	12 000	12 000
Infrastructure		51 945	36 068	41 672	58 378	58 378	58 378	54 786	43 873	45 494
Community Facilities		—	—	—	4 487	—	—	—	—	—
Community Assets		—	—	—	4 487	—	—	—	—	—
Licences and Rights		—	—	—	—	2 094	2 094	—	—	7 000
Intangible Assets		—	—	—	—	2 094	2 094	—	—	7 000
Computer Equipment		148	350	145	—	162	162	290	307	326
Furniture and Office Equipment		382	569	4 890	989	125	125	130	138	146
Machinery and Equipment		183	41	—	235	—	—	—	—	—
Transport Assets		—	500	—	—	2 950	2 950	—	—	—
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		52 659	37 528	46 706	64 089	63 709	63 709	55 206	44 318	52 966
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>										
5										
Roads Infrastructure		198 236	186 325	178 657	176 594	176 594	176 594	199 478	208 100	217 073
Electrical Infrastructure		63 523	68 942	61 231	58 200	58 200	58 200	77 968	82 643	87 596
Infrastructure		261 759	255 267	239 888	234 794	234 794	234 794	277 446	290 743	304 669
Community Facilities		35 485	78 341	79 365	84 241	84 241	84 241	57 541	60 993	64 653
Community Assets		35 485	78 341	79 365	84 241	84 241	84 241	57 541	60 993	64 653
Licences and Rights		177	458	277	496	496	496	376	395	415
Intangible Assets		177	458	277	496	496	496	376	395	415
<b>TOTAL ASSET REGISTER SUMMARY - PPE</b>	5	297 421	334 066	319 530	319 531	319 531	319 531	335 363	352 131	369 737
<b>EXPENDITURE OTHER ITEMS</b>										
7										
Depreciation		9 723	10 396	12 817	4 023	4 023	4 023	4 916	5 211	5 524
Repairs and Maintenance by Asset Class	3	4 506	—	—	4 516	3 448	3 448	2 430	2 576	2 730
Roads Infrastructure		3 151	—	—	—	—	—	1 100	1 166	1 236
Infrastructure		3 151	—	—	—	—	—	1 100	1 166	1 236
Operational Buildings		—	—	—	1 500	1 000	1 000	700	742	787
Other Assets		—	—	—	1 500	1 000	1 000	700	742	787
Licences and Rights		—	—	—	648	648	648	—	—	—
Intangible Assets		—	—	—	648	648	648	—	—	—
Computer Equipment		—	—	—	107	—	—	—	—	—
Furniture and Office Equipment		588	—	—	—	—	—	—	—	—
Machinery and Equipment		—	—	—	2 261	1 800	1 800	130	138	146
Transport Assets		767	—	—	—	—	—	500	530	562
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		14 228	10 396	12 817	8 539	7 471	7 471	7 346	7 787	8 255

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**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

**Table 18 MBRR Table A10 - Basic Service Delivery Measurement**

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KZN265 Nongoma - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Household service targets</b>	1									
<i>Water:</i>										
Piped water inside dwelling		–	1 012	1 012	1 100	1 100	1 100	1 100	1 100	1 100
Piped water inside yard (but not in dwelling)		–	2 257	2 257	2 456	2 456	2 456	2 456	2 456	2 456
Using public tap (at least min. service level)	2	–	4 864	4 864	5 280	5 280	5 280	5 280	5 280	5 280
Other water supply (at least min. service level)	4	–	30 777	30 777	33 315	33 315	33 315	33 315	33 315	33 315
<i>Minimum Service Level and Above sub-total</i>		–	38 910	38 910	42 151	42 151	42 151	42 151	42 151	42 151
<b>Total number of households</b>	5	–	38 910	38 910	42 151	42 151	42 151	42 151	42 151	42 151
<i>Sanitation/sewage:</i>										
Flush toilet (connected to sewerage)		–	467	467	542	542	542	542	542	542
Flush toilet (with septic tank)		–	195	195	227	227	227	227	227	227
Chemical toilet		–	9 922	9 922	11 056	11 056	11 056	11 056	11 056	11 056
Pit toilet (ventilated)		–	8 599	8 599	9 582	9 582	9 582	9 582	9 582	9 582
<i>Minimum Service Level and Above sub-total</i>		–	19 183	19 183	21 407	21 407	21 407	21 407	21 407	21 407
Bucket toilet		–	133	133	135	135	135	135	135	135
No toilet provisions		–	19 728	19 728	21 353	21 353	21 353	21 353	21 353	21 353
<i>Below Minimum Service Level sub-total</i>		–	19 861	19 861	21 488	21 488	21 488	21 488	21 488	21 488
<b>Total number of households</b>	5	–	39 044	39 044	42 895	42 895	42 895	42 895	42 895	42 895
<i>Energy:</i>										
Electricity (at least min. service level)		–	8 452	8 452	9 148	9 148	9 148	9 148	9 148	9 148
Electricity - prepaid (min. service level)		–	8 591	8 591	9 298	9 298	9 298	9 298	9 298	9 298
<i>Minimum Service Level and Above sub-total</i>		–	17 043	17 043	18 446	18 446	18 446	18 446	18 446	18 446
<b>Total number of households</b>	5	–	17 043	17 043	18 446	18 446	18 446	18 446	18 446	18 446
<i>Refuse:</i>										
Removed less frequently than once a week		–	310	310	340	340	340	340	340	340
Using own refuse dump		–	34 825	34 825	36 956	36 956	36 956	36 956	36 956	36 956
Other rubbish disposal		–	3 113	3 113	3 303	3 303	3 303	3 303	3 303	3 303
No rubbish disposal		–	351	351	372	372	372	372	372	372
<i>Below Minimum Service Level sub-total</i>		–	38 599	38 599	40 971	40 971	40 971	40 971	40 971	40 971
<b>Total number of households</b>	5	–	38 599	38 599	40 971	40 971	40 971	40 971	40 971	40 971
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		14 844 924	15 792 473					22 995 111	24 190 857	25 448 781
Electricity (kwh per household per month)					1 868 025	1 500 000	1 500 000			
Refuse (average litres per week)		148 344	1 578 128					2 018 456	2 139 563	2 267 937
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		3 213	–	–	425	425	425	447	470	495
<b>Total revenue cost of subsidised services provided</b>		3 213	–	–	425	425	425	447	470	495

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma.

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- **Electricity**

ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. The Free Basic Services will cost the municipality R1.5 million in 2018/19. The provision of free basic electricity is covered by the municipality's equitable share allocation from national government.

## **Part 2 – Supporting Documentation**

### **2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

#### **2.1.1 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2017 as required by the MFMA. The Key dates applicable to the process were:

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- **25 January 2018** - Council considers the 2018/19 Mid-year and performance assessment.
- **27 February 2018** - Council revised budget
- **12 February 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **19 February 2018** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2018/19 financial period.
- **28 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2020/21 MTREF for public consultation;
- **April 2018** – Public consultation commences
- **29 April 2018** - Closing date for written comments;
- **2 to 13 May 2018** – finalization of the 2018/19 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;

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- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

### **2.1.3 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2018/19 MTRE, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends
- Performance trends
- The approved 2018/19 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 – budget circulars - has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The 2018/19 draft budget and MTREF after being tabled before Council for approval on 28 March 2018 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process included invitation of the community to the IDP/Budget Road shows as planned. The road shows were held at different places within Nongoma municipal area of jurisdiction as identified by council as follows:

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant consider as part of the finalisation of the 2018/19 MTREF.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

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It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2016 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015. Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

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The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 22 IDP Strategic Objectives**

<b>2018/19 MTREF</b>
1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation
3.1 Fight poverty and build clean, healthy, safe and sustainable communities
3.2 Integrated Social Services for empowered and sustainable communities
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1 Promote sound governance
5.2 Ensure financial sustainability
5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity (through Eskom)
  - Provide water (through District Municipality)
  - Provide sanitation (through District Municipality)
  - Provide solid waste removal
  - Provide housing (through Department of Human Settlements)
  - Provide roads and storm water
  - Provide municipality planning services; and
  - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

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3. Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Extending waste removal services and ensuring effective municipality cleansing;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning.
4. Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance and communication through:

- Publishing the outcomes of all tender processes and other information on the municipal website.

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by

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the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective R thousand	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
Provide sound democratic and accountable governance that promotes effective communication;	Providing oversight over the administration of the municipality;			48 395	50 028	60 263	48 087	44 344	40 407	42 831	45 401	48 125	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining			58 200	60 263	50 028	58 263	59 863	60 263	63 152	66 757	70 568	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the			4 599	36 103	39 434	49 104	50 428	60 363	63 985	67 824	71 893	
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to			8 100	0		9 000	8 400		8 904	9 438	10 005	
Economic growth and development that leads to	Facilitating the use of labour intensive			47 104	56 107	47 104	56 887	57 107	59 109	41 109	41 326	52 313	
<b>Allocations to other priorities</b>				2									
<b>Total Revenue (excluding capital transfers and contributions)</b>				1	166 398	202 501	196 829	221 341	220 142	220 142	219 981	230 746	252 904

**Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

**KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)**

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Provide sound democratic and accountable governance that promotes effective communication;	Providing oversight over the administration of the municipality; reviewing financial reports and			50 696	50 611	61 640	50 900	51 400	52 500	54 923	59 290	63 984
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm			17 624	15 624	19 624	17 624	17 624	17 624	18 682	19 803	20 991
Foster participatory democracy and Batho Pele through caring, accessible and accountable service delivery.	Optimising effective community participation in the ward committee system; and the Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services			12 845	13 069	16 269	13 569	16 269	16 269	17 245	18 280	19 377
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effectively implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and disaster management are operating effectively.			9 324	34 838	35 049	38 838	38 838	38 838	41 168	43 638	46 257
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and			30 101	28 846	34 070	36 320	32 302	31 202	32 757	34 721	36 806
<b>Allocations to other priorities</b>												
<b>Total Expenditure</b>			1	<b>120 591</b>	<b>142 988</b>	<b>166 652</b>	<b>157 252</b>	<b>156 433</b>	<b>156 433</b>	<b>164 775</b>	<b>175 732</b>	<b>187 414</b>

**Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

**KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)**

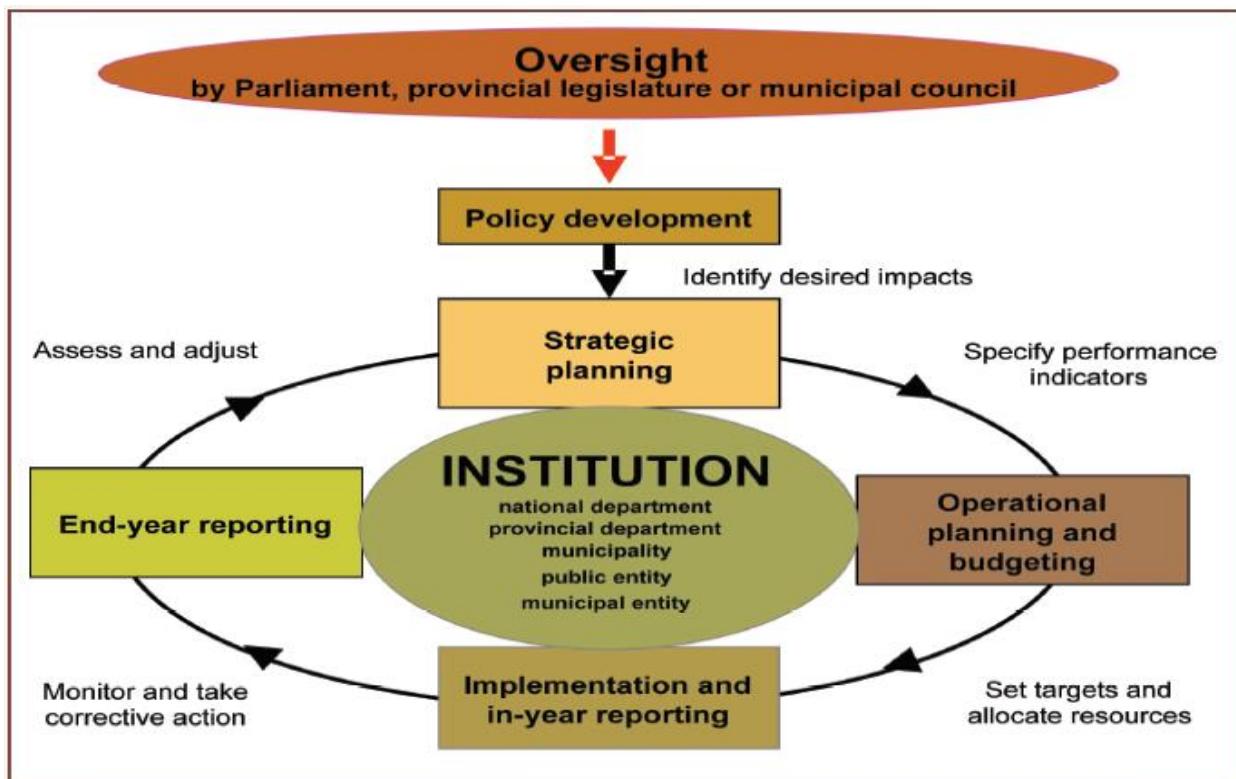
Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.	A		6 883	7 524	6 783	10 426	10 046	11 046	10 342	10 549	12 434
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.	E		5 236	6 321	7 883	9 983	9 983	10 683	11 324	10 438	12 723
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi	F	G	2 249	3 121	5 249	8 949	8 949	6 249	4 500	4 800	5 000
Allocations to other priorities			3									
Total Capital Expenditure			1	52 659	37 529	46 706	64 089	63 709	63 709	55 206	44 318	52 966



## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 1 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

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- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

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**Table 27MBRR Table SA8 - Performance indicators and benchmarks**

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Borrowing Management</b>											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.4%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.4%	3.6%	0.6%	0.2%	0.2%	0.2%	0.2%	0.6%	0.7%	0.7%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and	-150.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.8	2.0	1.1	2.0	2.0	2.0	2.0	1.9	2.1	2.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.8	2.0	1.1	2.0	2.0	2.0	2.0	1.9	2.1	2.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.9	0.4	0.1	0.7	0.4	0.4	0.4	0.2	0.4	0.4
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths		84.4%	78.1%	70.8%	78.7%	78.7%	78.7%	78.7%	68.0%	68.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer % Other revenue)		84.4%	78.3%	70.8%	78.7%	78.7%	78.7%	78.7%	68.0%	68.0%	68.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.1%	16.9%	18.5%	13.2%	16.2%	16.2%	16.2%	16.5%	16.1%	15.8%
<b>Creditors Management</b>											
Creditors to Cash and Investments		106.8%	226.4%	575.1%	966.1%	251.9%	251.9%	251.9%	440.1%	152.5%	88.9%
Employee costs	Employee costs/(Total Revenue - capital revenue)	40.1%	43.7%	48.4%	44.1%	48.0%	48.0%	48.0%	47.9%	47.7%	47.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	50.2%	51.7%	57.1%	52.6%	56.6%	56.6%	56.6%	56.4%	56.2%	56.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.6%	0.0%	0.0%	2.8%	2.1%	2.1%	2.1%	1.4%	1.4%	1.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8.1%	6.8%	8.5%	2.5%	2.5%	2.5%	2.5%	2.9%	2.9%	2.9%
<b>IDP regulation financial</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	27.8	15.3	15.1	17.0	17.0	17.0	15.4	15.0	14.9	15.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	92.3%	130.9%	131.7%	89.6%	109.1%	109.1%	109.1%	113.6%	113.3%	112.9%
iii. Cost coverage	(Available cash + Investments)/monthly expenditure	2.1	0.7	0.3	0.2	0.6	0.6	0.6	0.3	1.0	1.6

## 2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

## 2.5 Overview of budget assumptions

### 2.5.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 59% of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation

places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded effective

#### **2.5.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2018/19 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

#### **2.5.4 Collection rate for revenue services**

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 79. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 70 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

#### **2.5.5 Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the

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household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

**Table 28 Sources of capital revenue over the MTREF**

Vote Description R thousand	Ref 1	2014/15			2015/16			2016/17			Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework				
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21							
<b>Funded by:</b>																		
National Government		50 307		36 068		41 672		58 378		58 378		58 378		46 286		43 873		45 494
Provincial Government		400																
Transfers recognised - capital	4	50 707		36 068		41 672		58 378		58 378		58 378		46 286		43 873		45 494
Public contributions & donations	5																	
Borrowing	6																	
Internally generated funds		1 952		1 460		5 034		5 711		5 331		5 331		8 920		445		472
<b>Total Capital Funding</b>	<b>7</b>	<b>52 659</b>		<b>37 528</b>		<b>46 706</b>		<b>64 089</b>		<b>63 709</b>		<b>63 709</b>		<b>55 206</b>		<b>44 318</b>		<b>52 966</b>

**Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 29 MBRR SA10 – Funding compliance measurement**

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KZN265 Nongoma Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	15 678	6 545	3 678	1 693	6 493	6 493	6 493	3 870	11 840	21 531
Cash + investments at the yr end less applications - R'000	18(1)b	2	14 368	10 976	987	11 161	14 254	14 254	14 254	6 313	10 066	10 368
Cash year end/monthly employee/supplier payments	18(1)b	3	2.1	0.7	0.3	0.2	0.6	0.6	0.6	0.3	1.0	1.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	45 807	59 513	30 175	64 089	63 708	63 708	63 708	55 206	55 013	65 489
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	8.2%	0.6%	5.9%	(6.0%)	(6.0%)	(6.0%)	(0.7%)	(0.7%)	(0.7%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	96.8%	73.3%	67.9%	76.0%	92.1%	92.1%	92.1%	67.9%	67.8%	67.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	9.2%	9.1%	18.7%	4.2%	4.2%	4.2%	6.9%	7.0%	7.0%	7.0%
Capital payments % of capital expenditure	18(1);19	8	69.7%	131.9%	0.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1);c	9	(12.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	103.3%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	61.2%	7.8%	(23.7%)	21.8%	0.0%	0.0%	9.7%	4.9%	4.9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)	13	1.8%	0.0%	0.0%	1.4%	1.1%	1.1%	0.8%	0.7%	0.7%	0.7%
Asset renewal % of capital budget	20(1)(v)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Supporting indicators</b>												
% incr total service charges (incl prop rates)	18(1)a			14.2%	6.6%	11.9%	0.0%	0.0%	0.0%	5.3%	5.3%	5.3%
% incr Property Tax	18(1)a			15.4%	7.0%	12.1%	0.0%	0.0%	0.0%	5.2%	5.2%	5.2%
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			1.9%	2.2%	10.5%	0.0%	0.0%	0.0%	6.0%	6.0%	6.0%
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		17 447	19 916	21 230	23 763	23 763	23 763	23 763	25 014	26 330	27 717
Service charges			17 447	19 916	21 230	23 763	23 763	23 763	23 763	25 014	26 330	27 717
Property rates			15 792	18 230	19 507	21 858	21 858	21 858	21 858	22 995	24 191	25 449
Service charges - electricity revenue			-	-	-	-	-	-	-	-	-	-
Service charges - water revenue			-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue			-	-	-	-	-	-	-	-	-	-
Service charges - refuse removal			1 654	1 685	1 723	1 904	1 904	1 904	1 904	2 018	2 140	2 268
Service charges - other			-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			121	60	167	234	234	234	234	246	261	276
Capital expenditure excluding capital grant funding			1 952	1 460	5 034	5 711	5 331	5 331	5 331	8 920	445	7 472
Cash receipts from ratepayers	18(1)a		20 382	17 503	17 106	22 269	25 878	25 878	25 878	19 572	20 612	21 711
Ratepayer & Other revenue	18(1)a		21 049	23 875	25 210	29 286	28 086	28 086	28 086	28 845	30 389	32 018
Change in consumer debtors (current and non-current)			9 282	9 927	2 031	(6 675)	(1 996)	(1 996)	(1 996)	7 211	1 414	1 484
Operating and Capital Grant Revenue	18(1)a		144 211	176 812	169 173	190 225	190 225	190 225	190 225	189 195	198 300	218 706
Capital expenditure - total	20(1)(v)		52 659	37 528	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Capital expenditure - renewal	20(1)(v)		-	-	-	-	-	-	-	-	-	-
<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY										140 318	152 741	164 425
DoRA capital grants total MFY										46 286	43 873	45 494
Provincial operating grants										2 591	1 686	1 787
Provincial capital grants												
District Municipality grants												
Total gazetted/advised national, provincial and district grants										189 195	198 300	211 706
<b>DoRA operating</b>												
Equitable share										136 733	150 771	162 455
Finance management grant										1 970	1 970	1 970
Community library grant, Provincialisation of library and Schemes Support Programme										2 591	1 686	1 787
EPWP										1 615	-	-
										142 909	154 427	166 212
<b>DoRA capital</b>												
Municipal infrastructure grant										31 286	31 873	33 494
Integrated national electrification programme										15 000	12 000	12 000
										46 286	43 873	45 494

**Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term**

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<b>Total Operating Revenue</b>		123 507	154 996	152 413	162 963	161 764	161 764	161 764	173 694	186 872	200 410
<b>Total Operating Expenditure</b>		120 591	142 988	166 652	157 252	156 433	156 433	156 433	164 775	175 732	187 415
<b>Operating Performance Surplus/(Deficit)</b>		2 916	12 008	(14 239)	5 711	5 330	5 330	5 330	8 920	11 140	12 995
<b>Cash and Cash Equivalents (30 June 2012)</b>									3 870		
<b>Revenue</b>											
% Increase in Total Operating Revenue			25.5%	(1.7%)	6.9%	(0.7%)	0.0%	0.0%	7.4%	7.6%	7.2%
% Increase in Property Rates Revenue			15.4%	7.0%	12.1%	0.0%	0.0%	0.0%	5.2%	5.2%	5.2%
% Increase in Electricity Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges			14.2%	6.6%	11.9%	0.0%	0.0%	0.0%	5.3%	5.3%	5.3%
<b>Expenditure</b>											
% Increase in Total Operating Expenditure			18.6%	16.6%	(5.6%)	(0.5%)	0.0%	0.0%	5.3%	6.7%	6.6%
% Increase in Employee Costs			36.5%	9.1%	(2.6%)	8.1%	0.0%	0.0%	7.1%	7.1%	7.1%
% Increase in Electricity Bulk Purchases			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)			212665.3804	5136237.678					194427.0815		
Average Cost Per Councillor (Remuneration)			313929.9524	329804.8881					352896.1905		
R&M % of PPE		1.8%	0.0%	0.0%	1.4%	1.1%	1.1%		0.7%	0.7%	0.7%
Asset Renewal and R&M as a % of PPE		2.0%	0.0%	0.0%	1.0%	1.0%	1.0%		1.0%	1.0%	1.0%
Debt Impairment % of Total Billable Revenue		9.2%	9.1%	18.7%	4.2%	4.2%	4.2%		6.9%	7.0%	7.0%
<b>Capital Revenue</b>											
Internally Funded & Other (R'000)		1 952	1 460	5 034	5 711	5 331	5 331	5 331	8 920	445	472
Borrowing (R'000)		–	–	–	–	–	–	–	–	–	–
Grant Funding and Other (R'000)		50 707	36 068	41 672	58 378	58 378	58 378	58 378	46 286	43 873	45 494
Internally Generated funds % of Non Grant Funding		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding		96.3%	96.1%	89.2%	91.1%	91.6%	91.6%	91.6%	83.8%	99.0%	99.0%
<b>Capital Expenditure</b>											
Total Capital Programme (R'000)		52 659	37 528	46 706	64 089	63 709	63 709	63 709	55 206	44 318	52 966
Asset Renewal		–	–	–	–	–	–	–	–	–	–
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash</b>											
Cash Receipts % of Rate Payer & Other		96.8%	73.3%	67.9%	76.0%	92.1%	92.1%	92.1%	67.9%	67.8%	67.8%
Cash Coverage Ratio		0	0	0	0	0	0	0	0	0	0
<b>Borrowing</b>									0		
Credit Rating (2009/10)											
Capital Charges to Operating		0.4%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Borrowing Receipts % of Capital Expenditure		(12.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>											
Surplus/(Deficit)		14 368	10 976	987	11 161	14 254	14 254	14 254	6 313	10 066	10 368
<b>Free Services</b>											
Free Basic Services as a % of Equitable Share Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
		14.5%	0.0%	0.0%	1.4%	1.4%	1.4%		1.5%	1.4%	1.4%
<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		123 507	154 996	152 413	162 963	161 764	161 764	161 764	173 694	186 872	200 410
Total Operating Expenditure		120 591	142 988	166 652	157 252	156 433	156 433	156 433	164 775	175 732	187 415
Surplus/(Deficit) Budgeted Operating Statement		2 916	12 008	(14 239)	5 711	5 330	5 330	5 330	8 920	11 140	12 995
Surplus/(Deficit) Considering Reserves and Cash Backing		14 368	10 976	987	11 161	14 254	14 254	14 254	6 313	10 066	10 368
<b>MTREF Funded (1) / Unfunded (0)</b>	#	1	1	1	1	1	1	1	1	1	1
<b>MTREF Funded ✓ / Unfunded ✗</b>	#	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## **2.6 Expenditure on grants and reconciliations of unspent funds**

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

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**Table 34MBRR SA22 - Summary of councillor and staff benefits**

KZN265 Nongoma - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Councillors (Political Office Bearers plus Other)</b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		10 345	7 949	8 718	8 340	8 340	8 340	8 924	9 548	10 217
Pension and UIF Contributions		930	4 546	4 467	1 079	1 079	1 079	1 155	1 236	1 322
Medical Aid Contributions		–	–	–	75	75	75	80	86	92
Motor Vehicle Allowance		–	–	–	3 165	3 165	3 165	3 386	3 623	3 877
Cellphone Allowance		–	–	–	1 030	1 030	1 030	1 103	1 180	1 262
Other benefits and allowances		2	–	–	163	163	163	174	186	199
<b>Sub Total - Councillors</b>		11 277	12 495	13 185	13 852	13 852	13 852	14 821	15 859	16 969
% increase	4		10.8%	5.5%	5.1%	–	–	7.0%	7.0%	7.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		662	3 896	3 304	4 673	5 000	5 000	5 355	5 735	6 142
Pension and UIF Contributions		2	156	129	853	912	912	977	1 046	1 121
Medical Aid Contributions		–			345	369	369	395	423	453
Overtime		–			–	–	–	–	–	–
Performance Bonus		–	621	454	618	618	618	662	709	760
Motor Vehicle Allowance	3	66			1 178	1 261	1 261	1 350	1 446	1 549
Cellphone Allowance	3	–			–	–	–	–	–	–
Housing Allowances	3	–			–	–	–	–	–	–
Other benefits and allowances	3	420	1 908	1 607	184	197	197	211	226	242
Payments in lieu of leave		–			–	–	–	–	–	–
Long service awards		–			–	–	–	–	–	–
Post-retirement benefit obligations	6	–			–	–	–	–	–	–
<b>Sub Total - Senior Managers of Municipality</b>		1 150	6 580	5 494	7 851	8 357	8 357	8 951	9 586	10 267
% increase	4		472.1%	(16.5%)	42.9%	6.4%	–	7.1%	7.1%	7.1%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		33 192	37 930	42 583	44 012	45 796	45 796	49 047	52 529	56 259
Pension and UIF Contributions		699	10 417	11 756	10 016	10 018	10 018	10 729	11 490	12 306
Medical Aid Contributions		1 679	2 059	2 617	1 938	2 438	2 438	2 611	2 796	2 995
Overtime		1 452	2 566	3 514	2 340	2 840	2 840	3 042	3 258	3 489
Performance Bonus		2 503	2 566	3 272	2 892	3 392	3 392	3 633	3 891	4 167
Motor Vehicle Allowance	3	3 298	3 665	3 624	1 786	2 786	2 786	2 984	3 196	3 423
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	431	632	347	1 072	2 072	2 072	2 219	2 385	2 553
Payments in lieu of leave		7 355	57	253		–	–	–	–	–
Long service awards		(1 043)	1 239	336		–	–	–	–	–
Post-retirement benefit obligations	6				–	–	–	–	–	–
<b>Sub Total - Other Municipal Staff</b>		49 565	61 131	68 301	64 056	69 341	69 341	74 264	79 545	85 192
% increase	4		23.3%	11.7%	(6.2%)	8.3%	–	7.1%	7.1%	7.1%
<b>Total Parent Municipality</b>		61 992	80 206	86 980	85 759	91 550	91 550	98 036	104 990	112 428
				29.4%	8.4%	(1.4%)	6.8%	–	7.1%	7.1%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		61 992	80 206	86 980	85 759	91 550	91 550	98 036	104 990	112 428
% increase	4		29.4%	8.4%	(1.4%)	6.8%	–	7.1%	7.1%	7.1%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	50 716	67 712	73 795	71 907	77 698	77 698	83 215	89 131	95 459

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**Table 35 MBRR SA23–Salaries allowance and benefits–councillors and senior management**

**KZN265 Nongoma - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contribution	Allowances	Performance Bonuses	In-kind benefits	Total Package
				1.				2.
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	423 407	59 352	31 602			514 361
Chief Whip								–
Executive Mayor		10	532 203	74 604	69 503			676 310
Deputy Executive Mayor			423 407	59 352	31 602			514 361
Executive Committee			1 283 273	179 868	39 271			1 502 412
Total for all other councillors		42	5 603 780	731 916	1 900 961			8 236 657
<b>Total Councillors</b>	8	53	<b>8 266 070</b>	<b>1 105 092</b>	<b>2 072 939</b>			<b>11 444 101</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	704 071	10 712	281 741	130 251		1 126 774
Chief Finance Officer		1	578 627	9 139	231 542	116 314		935 622
Director-Community			777 591	59 191	210 518	–		1 047 299
Director-Corporate			618 791	9 841	284 143	104 437		1 017 211
Director-Technical			578 627	8 243	231 542	104 437		922 849
Director-Planning			965 675	12 110	79 583	–		1 057 369
<b>Total Senior Managers of the Municipality</b>	8,10	2	<b>4 223 381</b>	<b>109 235</b>	<b>1 319 069</b>	<b>455 439</b>		<b>6 107 124</b>

**Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure**

KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description R thousand	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>																
Property rates		1 916	1 916	1 916	1 916	1 916	1 916	1 916	1 916	1 916	1 916	1 916	1 916	22 995	24 191	25 449
Service charges - refuse revenue		168	168	168	168	168	168	168	168	168	168	168	169	2 018	2 140	2 268
Rental of facilities and equipment		21	21	21	21	21	21	21	21	21	21	21	19	246	261	276
Interest earned - external investments		162	162	162	162	162	162	162	162	162	162	162	162	1 940	2 057	2 180
Interest earned - outstanding debtors		92	92	92	92	92	92	92	92	92	92	92	92	1 100	1 166	1 236
Fines, penalties and forfeits		27	27	27	27	27	27	27	27	27	27	27	27	324	344	364
Licences and permits		74	74	74	74	74	74	74	74	74	74	74	74	888	941	998
Transfers and subsidies		46 980	1 970	—	—	—	46 980	—	—	46 980	—	—	0	142 909	154 427	166 212
Other revenue		106	106	106	106	106	106	106	106	106	106	106	106	1 273	1 346	1 427
<b>Total Revenue (excluding capital transfers and subsidies)</b>		<b>49 545</b>	<b>4 535</b>	<b>2 565</b>	<b>2 565</b>	<b>2 565</b>	<b>49 545</b>	<b>2 565</b>	<b>2 565</b>	<b>49 545</b>	<b>2 565</b>	<b>2 565</b>	<b>2 565</b>	<b>173 694</b>	<b>186 872</b>	<b>200 410</b>
<b>Expenditure By Type</b>																
Employee related costs		6 935	6 935	6 935	6 935	6 935	6 935	6 935	6 935	6 935	6 935	6 935	6 934	83 215	89 131	95 459
Remuneration of councillors		1 235	1 235	1 235	1 235	1 235	1 235	1 235	1 235	1 235	1 235	1 235	1 235	14 822	15 859	16 969
Debt impairment		145	145	145	145	145	145	145	145	145	145	145	145	1 736	1 840	1 951
Depreciation & asset impairment		410	410	410	410	410	410	410	410	410	410	410	410	4 916	5 211	5 524
Finance charges		17	17	17	17	17	17	17	17	17	17	17	17	200	212	225
Other materials		378	378	378	378	378	378	378	378	378	378	378	378	4 540	4 813	5 102
Contracted services		2 004	2 004	2 004	2 004	2 004	2 004	2 004	2 004	2 004	2 004	2 004	2 005	24 051	25 494	27 024
Transfers and subsidies		129	129	129	129	129	129	129	129	129	129	129	129	1 550	1 643	1 742
Other expenditure		2 479	2 479	2 479	2 479	2 479	2 479	2 479	2 479	2 479	2 479	2 479	2 479	29 745	31 530	33 421
<b>Total Expenditure</b>		<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>13 731</b>	<b>164 775</b>	<b>175 732</b>	<b>187 415</b>
<b>Surplus/(Deficit)</b>		<b>35 814</b>	<b>(9 196)</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>35 814</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>35 814</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>8 920</b>	<b>11 140</b>	<b>12 995</b>
Transfers and subsidies - capital (monetary allocations) (National /		15 429	—	—	15 429	—	—	—	—	15 429	—	—	0	46 286	43 873	45 494
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>51 243</b>	<b>(9 196)</b>	<b>(11 166)</b>	<b>4 263</b>	<b>(11 166)</b>	<b>35 814</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>51 243</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>55 206</b>	<b>55 013</b>	<b>58 489</b>
<b>Surplus/(Deficit)</b>	1	<b>51 243</b>	<b>(9 196)</b>	<b>(11 166)</b>	<b>4 263</b>	<b>(11 166)</b>	<b>35 814</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>51 243</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>(11 166)</b>	<b>55 206</b>	<b>55 013</b>	<b>58 489</b>

## **2.7 Contracts having future budgetary implications**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **Table 39 MBRR SA33 – Contracts having future budgetary implications**

There are no such contracts in place.

## **2.8 Capital expenditure details**

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term

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**Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description R thousand	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>						
<b>Infrastructure</b>	<b>58 378</b>	<b>58 378</b>	<b>58 378</b>	<b>54 786</b>	<b>43 873</b>	<b>45 494</b>
Roads Infrastructure	43 378	43 378	43 378	39 786	31 873	33 494
Roads	43 378	43 378	43 378	39 786	31 873	33 494
Electrical Infrastructure	15 000	15 000	15 000	15 000	12 000	12 000
Capital Spares	15 000	15 000	15 000	15 000	12 000	12 000
<b>Community Assets</b>	<b>4 487</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Community Facilities	4 487	—	—	—	—	—
Halls	3 487	—	—	—	—	—
Testing Stations	1 000	—	—	—	—	—
<b>Intangible Assets</b>	<b>—</b>	<b>2 094</b>	<b>2 094</b>	<b>—</b>	<b>—</b>	<b>7 000</b>
Licences and Rights	—	2 094	2 094	—	—	7 000
Unspecified	—	2 094	2 094	—	—	7 000
<b>Computer Equipment</b>	<b>—</b>	<b>162</b>	<b>162</b>	<b>290</b>	<b>307</b>	<b>326</b>
Computer Equipment	—	162	162	290	307	326
<b>Furniture and Office Equipment</b>	<b>989</b>	<b>125</b>	<b>125</b>	<b>130</b>	<b>138</b>	<b>146</b>
Furniture and Office Equipment	989	125	125	130	138	146
<b>Machinery and Equipment</b>	<b>235</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Machinery and Equipment	235	—	—	—	—	—
<b>Transport Assets</b>	<b>—</b>	<b>2 950</b>	<b>2 950</b>	<b>—</b>	<b>—</b>	<b>—</b>
Transport Assets	—	2 950	2 950	—	—	—
<b>Total Capital Expenditure on new assets</b>	<b>64 089</b>	<b>63 709</b>	<b>63 709</b>	<b>55 206</b>	<b>44 318</b>	<b>52 966</b>

Final budget and Medium Term Revenue & Expenditure Framework for 2018/19 term

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**Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description R thousand	Ref 1	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>							
<b>Infrastructure</b>		-	-	-	1 100	1 166	1 236
Roads Infrastructure		-	-	-	1 100	1 166	1 236
Roads					1 100	1 166	1 236
<b>Other assets</b>		1 500	1 000	1 000	700	742	787
Operational Buildings		1 500	1 000	1 000	700	742	787
Municipal Offices		1 500	1 000	1 000	700	742	787
<b>Intangible Assets</b>		648	648	648	-	-	-
Licences and Rights		648	648	648	-	-	-
Unspecified		648	648	648	-	-	-
<b>Computer Equipment</b>		107	-	-	-	-	-
Computer Equipment		107	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-
<b>Machinery and Equipment</b>		2 261	1 800	1 800	130	138	146
Machinery and Equipment		2 261	1 800	1 800	130	138	146
<b>Transport Assets</b>		-	-	-	500	530	562
Transport Assets					500	530	562
<b>Total Repairs and Maintenance Expenditure</b>	1	4 516	3 448	3 448	2 430	2 576	2 730

## 2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### 1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

### 2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

### 3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

### 4. Audit Committee

The Audit Committee is functioning satisfactorily during the year.

### 5. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### 7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Final budget and Medium Term Revenue & Expenditure Framework for 2018/19  
term

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## 2.10 Municipal manager's quality certificate

*I, Mrs VT Sokhela, municipal manager of Nongoma Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.*

Mrs VT Sokhela

**Municipal manager of Nongoma Municipality (KZN265)**

Signature \_\_\_\_\_

Date 31 May 2018